

Rhode Island Renewable Energy Fund

Renewable Energy Incentive Program for Residential and Small Commercial Customers

Program Guidelines

(Updated November 13, 2003)

1 Introduction and Summary

The Rhode Island Renewable Energy Fund (the “Fund”) makes financial incentives available for retail electricity suppliers registered in Rhode Island and offering eligible green power supply to residential and small business consumers in the State. Green power is defined here as electricity offerings (products) that consist of substantial quantities of renewable energy and meeting certain other minimum standards defined in these guidelines. This incentive program is designed to directly reduce a retail green power suppliers' cost to provide Rhode Island consumers with green power and helps assure that the green power offers contain credible and attractive renewable supply sources. This program thus complements and reinforces the Fund's renewable supply incentive program that is designed to support the development of high-quality renewable energy supply for Rhode Island consumers.

This incentive program is currently funded at a level of approximately 1.36 million to reward electricity suppliers who enroll new residential and small commercial customers in eligible green power products. The incentives are available on a first-come, first-serve basis to suppliers who register for the program and offer eligible green power products to Rhode Island customers. For residential customers, program incentives start at up to \$125 per customer and, based on the total number of customers enrolled statewide, decline to a maximum of \$75 per residential customer. The incentive structure specified can support the enrollment of approximately 15,000 customers.

The objective of this program is to build a market for green power that is sustainable even after funding for the incentive program is discontinued. For this reason, participating retail electricity suppliers are expected to use the incentive to attract customers to premium green power products which offer extra environmental and other value to consumers. Suppliers are strongly encouraged to apply the incentive to offset startup and customer acquisition costs and to thereby allow product pricing at a sustainable level.

The Fund wishes to support the marketing of retail electricity supply enriched with renewable energy production from “new” (as defined below) renewable generation sources meeting the requirements of the Rhode Island Utility Restructuring Act. At the same time, the Fund wishes to encourage green power offerings that are eligible and appropriate for other states in New

England. For this reason, products eligible for this incentive are either **“bundled” electricity supply offerings** from competitive energy suppliers or **tradable renewable certificate (TRC) offerings** (either sold through the Narragansett Electric Company GreenUp Program, or independently) that meet the product eligibility requirements detailed in Section 3.3 of these guidelines.

These guidelines, as they may be revised from time to time, detail the requirements of this program, including registration and reporting requirements, incentive award details, and eligible renewable resources.

2 Background

The Rhode Island Renewable Energy Fund, initially created through the Utility Restructuring Act of 1996, generates funding from a surcharge of 0.3 mills per kilowatt-hour on electricity consumption in Rhode Island in order to promote renewable energy in Rhode Island. The mandate of the Fund includes promoting renewable energy technologies that harness wind, solar, low impact hydropower (including ocean power), biomass and geothermal resources. The Fund is administered by the State Energy Office in consultation with the Rhode Island Renewable Energy Fund Advisory Board. The Advisory Board consists of 15 voting and 5 nonvoting members from environmental advocacy groups, state and federal government energy and environmental agencies, industry, universities, electric utilities, etc.

Several renewable energy programs intended to jump start and build the long-term market demand for energy from renewable resources in Rhode Island have also been implemented by the Fund. In addition to the program described in these guidelines, the Fund has invested in efforts to develop new local and regional renewable energy supply, and continues to invest in green power customer education, aggregation and market-building efforts. These efforts are detailed in the Fund’s web site. These programs are intended, in combination, to begin to initiate a base of regional renewable energy generation and build a long-term customer-driven green power market to support that generation within Rhode Island. Applicants to this program are encouraged to become familiar with other Fund programs before submitting project proposals, and may participate in more than one program. For example, a retail electricity supplier may jointly seek to pursue supply incentives with a generator, while also pursuing demand incentives.

3 The Incentive Program

3.1 The Incentive Structure

This program offers incentives to eligible retail electricity suppliers based on the total number of residential and small general service customers enrolled. With the incentive structure specified,

the program can support the enrollment of approximately 15,000 such customers with eligible green power products

The precise dollar amount of incentive provided per enrolled customer will be determined based on the total enrollments reported by all eligible retail suppliers. As an extra incentive, early entrants will receive a larger incentive for their share of the first 6000 customers statewide (Early Entry Incentive). Approximately \$1.36 million has been budgeted for demand incentives for eligible green power offerings. The incentives will be distributed on a first-come, first-served basis as follows: \$125 per customer for the first 6000 customers state-wide, and \$75 per customer thereafter until funds are fully allocated. For certificate products and products sold through Narragansett Electric Company's GreenUp Program, the incentive is limited to lesser of (a) the \$125/\$75 incentive, or (b) 50% of the two year retail value of the green certificate being sold.¹

Additional funding is contingent on program success and future funding decisions by the Rhode Island State Energy Office.

The Early Entry Incentive will work as follows. The incentive payment will be \$125 per incremental customer (unless capped as described above) as long as the aggregate total for all eligible suppliers is less than or equal to 6,000 customers. In the calendar quarter in which the aggregate total of full-incentive customers exceeds 6,000, the incentive payments to all participating suppliers will be distributed in proportion to each retail supplier's share of that month's reported incremental enrollments. The remainder will be reimbursed at the \$75 per customer level.

In order to encourage building of a sustainable green power customer base, payments will be based on the incremental number of customers enrolled and being served by each specific retail electricity supplier with eligible green power products. For example, if a retail supplier is serving 1,000 customers with eligible green power supply at the end of one quarter and 1,500 at the end of the subsequent quarter, as a result of adding 600 customers and losing 100, the incentive will be paid only on the incremental 500 customers enrolled. Incentive payments will be distributed on a lag dictated by the NEPOOL GIS system (i.e. verification data will become available at the close of the trading quarter corresponding to the quarter in which sales and generation occur). The following table depicts an example for a supplier of eligible green power to residential customers.

¹ e.g. the product of (i) 50%; (ii) 24 months; and (iii) the monthly retail charge. For a blended offering sold as a percentage of use, The incentive is calculated as the retail price per kWh times the percentage of usage times 550 kWh/month; and for block products, the the incentive is calculated as the product of the retail price per kWh and the block size in kWh. For example if a green retailer is selling a 200 kWh/month green certificate product for \$6.00/month, then the maximum incentive available is \$72.00

Month	Qtr 1 '04	Qtr 2 '04	Qtr 3 '04	Qtr 4 '04	Qtr 1 '05	Qtr 2 '05	Qtr 3 '05
Customers added	400	120	120	320	120	200	75
Customers lost	0	20	220	20	20	50	100
Total customers quarter end	400	500	400	700	800	950	925
Highest previous quarter-end Total	0	400	500	500	700	800	950
Incremental customers for which Incentives can be applied	400	100	0	200	100	150	0
Incentive Payment @ \$125/customer to be distributed after the GIS trading period	\$50,000	\$12,500	0	\$25,000	\$12,500	\$18,750	0

In the event of any substantial migration of green power customers for whom incentives have been paid under this program, for reasons including (but not limited to) corporate succession or supplier withdrawal from the market, the Fund reserves the right to not pay the incentive for customers switching between suppliers within the program, so as to avoid paying the incentive multiple times for the same customer.

3.2 Who Qualifies?

3.2.1 Suppliers

To qualify for the residential and small business customer incentive program, you must be a retail electricity supplier registered in Rhode Island and be offering one or more qualifying green power products to Rhode Island customers. Even if you are offering a product based on the sale of tradable renewable energy certificates (TRCs) outside of a retail electricity supply arrangement, either directly to retail consumers in Rhode Island or through the Narragansett Electric Company GreenUp Program, you must register as a retail electricity supplier in Rhode Island. For this purpose, a “product” is a customer offering characterized by a specific renewable and conventional power composition and a specific price.

3.2.2 Customers

Customers who qualify for this program are those currently served under Residential and Small General Service tariffs of Narragansett Electric and Pascoag Utility District. **Furthermore, for**

customers served through more than one meter at a site, the incentive will be offered once per customer site.

3.3 What Green Power Products Qualify?

To qualify to receive incentive payments under this program, your retail product must meet one of the criteria summarized in the following table, and detailed in the text to follow:

	Conventional Retail Supply Offer	Renewable Energy Certificate-Only (TRC) Offers	GreenUp Program Offers
Green-e Certified	Any product certified under the New England Green-e product certification program run by the Center for Resource Solutions	Any offer certified under the Green-e Certified TRC certification program run by the Center for Resource Solutions, provided that the supply attributes are verified via source-specific NEPOOL GIS Certificates.	Any product certified under the New England Green-e product certification program run by the Center for Resource Solutions, provided that the product must correspond to at least 50% of customer usage and provided that the supply attributes are verified via source-specific NEPOOL GIS Certificates.
Other	For <i>blended</i> products, at least 25% of generation from Rhode Island-eligible “new” renewables, provided that the supply attributes are verified via source-specific NEPOOL GIS Certificates.; for <i>block</i> products, must contain a minimum of 150 kwh/month new renewables.	Provided at least 150 kWh per month of supply content is derived from Rhode Island-eligible “new” renewable projects, provided that the supply attributes are verified via source-specific NEPOOL GIS Certificates.	Applying to at least 50% of customer usage; at least 25% of total customer usage must consist of generation from Rhode Island-eligible “new” renewables provided that the supply attributes are verified via source-specific NEPOOL GIS Certificates.

The following conditions apply to any of the green power offerings eligible under this program:

- The New England Power Pool (NEPOOL) has established a market for generation attributes based on tradable certificates for all types of generation. This market is supported by an accounting and verification system for these certificates, the New England Generation Information System (GIS). The GIS will be the primary means for documenting that generation attributes are associated with Rhode Island customers, and all evidence must be consistent with the GIS and its Operating Rules. Verification for all registered suppliers of conventional retail supply offers and GreenUp Program Offers must be accomplished through possession of certificates recognized and accounted for as delivered to the New England grid for customers in Rhode Island under the New England

GIS². For TRC offers, verification must be consistent with the “Reserved Certificates” provisions of the GIS Operating Rules (other conditions may also apply).

- All generation attributes³ must remain bundled with the certificates sold (to the extent possible based on current law) and not be disaggregated and sold independently into other markets. For example, a separate sale of a CO₂ offset or NO_x Emission Reduction Credit (ERC) associated with a renewable generator would disqualify a certificate corresponding to that unit of generation from counting under this program. Products found to violate this condition will no longer be considered compliant with program guidelines.

3.3.1 Conventional Retail Supply Offers

Retail electricity supply offerings delivered via a customer’s electricity generation supplier that require a customer to switch from its current electricity generation supply are eligible if they have received and maintain certification under the Green-e product certification program run by the Center for Resource Solutions; alternatively product offerings must meet the minimum content requirements described below.

3.3.1.1 Green-e Certified Conventional Retail Supply Offers

The Green-e certification program was designed to support the marketing of credible green power products in competitive markets. Authorized suppliers meeting Green-e certification standards and their customers may use a trademarked Green-e logo. Green-e supports its certified product offerings with an education campaign to inform customers about the benefits of choosing a Green-e certified electricity product.

Products certified under the Green-e certification program for green power offerings, run by the Center for Resource Solutions, will be eligible so long as they maintain their certification. Green-e maintains certification standards for *blended* products, in which renewable energy content is specified as a percentage of usage, and *block* products, specified as a fixed block of renewable energy, with any requirements above that level provided from other sources. Information regarding Green-e product certification can be obtained on the Green-e website (www.green-e.org)⁴, or by calling (415) 561-2100.

The highlights of the Green-e blended product requirements include:

² The GIS currently applies to all load served within New England. The GIS may under some circumstances recognize attributes from generation located outside of New England as associated with load served within New England. Should the GIS ultimately encompass a broader scope to encompass load served outside of New England (for instance as a result of FERC’s RTO Order requiring northeastern U.S. ISOs to merge), certificates must still be associated with serving load in Rhode Island. Any such expansion of the GIS will not alter any requirements specified herein for a minimum percentage of new renewable generators to be generated by renewable generators located in New England or transferred into New England in a manner that results in displacement of New England non-renewable generation.

³ i.e. primary or descriptive attributes such as generation and fuel type, direct emission rates, and vintage, as well as secondary environmental attributes such as CO₂, NO_x, and SO₂ emissions offsets, allowances, emission reduction credits or equivalent.

⁴ The Code of Conduct for companies offering Green-e certified products can be found at www.green-e.org/power/code.html. The Green-e product standards applicable Rhode Island are detailed at: http://www.green-e.org/jpp/standard_for_marketers.html.

- The product must contain 50% or more Green-e eligible⁵ renewables content averaged over one year;
- No specific purchases of nuclear power may be included, and the fossil fuel portion (if any) of an eligible product must have equal or lower air emissions (SO_x, NO_x, and CO₂) than an equivalent amount of system power; and
- The product must contain at least 15% new renewables content (defined by Green-e for New England as placed in operation after January 1, 1998) effective during calendar year 2004, and potentially higher proportions in subsequent years.

Electricity products sold as block products must contain a minimum of 150 kWh/month of new Green-e eligible renewable resources.

For Green-e certification, in addition to meeting the Green-e standard, retail suppliers must (a) adhere to a Code of Conduct, (b) provide a disclosure statement to prospective customers that lists the resources from which the green power product will be generated, as well as a simple price and terms disclosure statement⁶, (c) provide enrolled customers with an annual disclosure of fuel mix, and (d) follow a defined verification protocol on an annual basis.

In addition, the Fund requires that retail suppliers disclosure of the geographic location of each source by state or the percentage obtained from sources based in New England versus other market areas (e.g. NY, Quebec, New Brunswick) on the same form as the fuel mix disclosure,

3.3.1.2 Other Conventional Retail Supply Offers

Products may also qualify so long as a minimum percentage of their supply content is derived from Rhode Island-eligible “new” renewable projects located in New England, as follows.

- Sources of generation used to meet the minimum “new” renewable requirement must:
 - Be power generation technologies that produce electricity from wind, small scale (less than 100 MW) hydropower not requiring the construction of new dams, solar energy and sustainably-managed biomass⁷, or fuel cells using renewable or non-renewable fuels.
 - Have first begun producing electricity on a commercial basis after January 1, 1998;

⁵ solar electric, wind, geothermal, biomass meeting certain emission and fuel source requirements, and small or certified low-impact hydro facilities.

⁶ The disclosure statement must be presented in a standardized format per Green-e requirements. The price, terms, and conditions statement is not required to be in a standardized format, but must contain some minimum information per Green-e requirements.

⁷ The Fund considers “*sustainably managed biomass*” to include, at a minimum, generation utilizing landfill methane or digester gas in internal combustion engines, micro-turbines, or fuel cells. Applicants may propose other biomass fuel and generation configurations, however the burden will be upon the applicant to explain and justify why the proposed project and its fuel stream should be considered sustainably-managed biomass. The Fund will post on its web site any changes to its working definition of sustainably-managed biomass, as well as any other interpretations intended to set precedent.

- Be verified exclusively through the use of source-specific NEPOOL GIS certificates;
- For *blended* products, in which renewable energy content is specified as a percentage of usage, at least 25% of generation supply in each calendar year must be from new renewables as defined above.
- Electricity products sold as *block* products must contain a minimum of 150 kWh/month on average throughout the year of new renewables content.

The retail supplier must provide a disclosure statement to prospective customers consistent with the requirements imposed by Green-e certification (see Section 3.3.1.1).

3.3.2 Renewable Energy Certificate-Only Offers

Certificate-only product offerings, also known as renewable energy credits (RECs) and tradable renewable energy certificates (TRCs), are financial transactions intended to have the same or similar effect as a conventional delivered product, by virtue of delivering renewables to the grid in a comparable manner. However, because under such an arrangement the customer is purchasing the generator's "attributes" independently from electricity supply, in signing up for such an offering a customer is not required to switch its retail electricity supplier. Certificate-only offerings are eligible if they are verified exclusively through the use of source-specific NEPOOL GIS certificates, and have received and maintained certification under the Green-e Certified T-REC (tradable renewable energy certificate) certification program; alternatively certificate offerings must meet the minimum content requirements described below.

3.3.2.1 Certificate-Only Green-e Certified Offers

The Center for Resource Solutions has developed standards for offerings based on TRCs that may be transacted independently of conventional delivered electricity supply. Products certified under the Green-e TRC program will be eligible so long as the verification requirements described in Section 5.5 are met. In addition, the TRCs must be verified exclusively through the use of source-specific NEPOOL GIS certificates. The highlights of the Green-e TRC product standard can be found at http://www.green-e.org/ipp/trc_marketers.html. Green-e required disclosures shall also include the geographic location by state of each source or the percentage obtained from sources based in New England versus other market areas (e.g. NY, Quebec, New Brunswick).

3.3.2.2 Other Certificate-Only Offers

TRC-only offers may also qualify so long as a minimum percentage of their supply content is derived from Rhode Island-eligible "new" renewable projects.

- Sources of generation used to meet the minimum "new" renewable requirement must:
 - Be power generation technologies that produce electricity from wind, small scale (less than 100 MW) hydropower not requiring the construction of new

dams, solar energy and sustainably-managed biomass⁸, or fuel cells using renewable or non-renewable fuels.

- Have first begun producing electricity on a commercial basis after January 1, 1998;
- Be verified exclusively through the use of source-specific NEPOOL GIS certificates, or otherwise meet the verification requirements described in Section 5.5;
- They must be structured as block products containing a minimum of 150 kwh/month on average throughout the year of new renewables content; and
- The supplier must provide a disclosure statement to prospective customers consistent with the Green-e standards applicable to TRC-based products. Each disclosure shall also include the geographic location of each source by state, or the percentage obtained from sources based in New England versus other market areas (e.g. NY, Quebec, New Brunswick),

3.3.3 GreenUp Program Offers

Beginning in late 2003, Narragansett Electric Company (NECo) plans to offer a program allowing providers of TRCs to provide GreenUp Service to its Standard Offer and Last Resort customers through its billing system, without requiring the customer to switch its electric supplier from Narragansett (for more information, contact Kathy Yetman at 508-421-7209). GreenUp Offerings are considered eligible if they meet the requirements defined as follows.

3.3.3.1 Green-e Certified GreenUp Program Offerings

Narragansett will create a subaccount for GreenUp Suppliers that will match the billed customer usage with renewable NEPOOL GIS certificates. Green-e will certify such offerings under its conventional retail supply standard. However, from the Fund's perspective, GreenUp offerings are essentially TRC products billed in a different manner, although in this case they may be sourced from both new and existing renewable resources. Therefore, GreenUp Program offerings are eligible if they:

- (a) Constitute at least 50% of customer usage;
- (b) Be verified exclusively through the use of source-specific NEPOOL GIS certificates; and

⁸ The Fund considers "*sustainably managed biomass*" to include, at a minimum, generation utilizing landfill methane or digester gas in internal combustion engines, micro-turbines, or fuel cells. Applicants may propose other biomass fuel and generation configurations, however the burden will be upon the applicant to explain and justify why the proposed project and its fuel stream should be considered sustainably-managed biomass. The Fund will post on its web site any changes to its working definition of sustainably-managed biomass, as well as any other interpretations intended to set precedent.

- (c) Have received and maintain certification under the Green-e product certification program run by the Center for Resource Solutions, as described in Section 3.3.1.1.

In addition to meeting the Green-e standard, retail suppliers must (a) adhere to a Code of Conduct, (b) provide a disclosure statement to prospective customers that lists the resources from which the green power product will be generated, as well as a simple price and terms disclosure statement⁹, (c) provide enrolled customers with an annual disclosure of fuel mix, and (d) follow a defined verification protocol on an annual basis.

In addition, the Fund requires that retail suppliers disclosure of the geographic location of each source by state or the percentage obtained from sources based in New England versus other market areas (e.g. NY, Quebec, New Brunswick) on the same form as the fuel mix disclosure,

3.3.3.2 Other GreenUp Program Offerings

3.3.3.3 Alternatively, products may also qualify so long as a minimum percentage of their supply content is derived from Rhode Island-eligible “new” renewable projects as follows:

- (a) constitute at least 50% of customer usage;
- (b) Contain at least 25% of customer usage in each calendar year from new renewables verified exclusively through the use of source-specific NEPOOL GIS certificates.

The supplier must also provide a disclosure statement to prospective customers consistent with the requirements imposed by Green-e certification (see Section 3.3.1.1).

4 Program Conditions

The following conditions apply to this incentive program.

4.1 Pricing and Customer Offers

The incentives offered under this program are intended to lead to a sustainable market for renewables in Rhode Island. Suppliers are strongly encouraged to apply the incentive to allow product pricing at a sustainable level so that customers will be expected to continue purchasing after funding for the incentive program is discontinued. The Program Administrator will review the pricing and terms and conditions of registered products. Products designed and priced in a manner that does not meet this objective may not be approved by the Program Administrator.

⁹ The disclosure statement must be presented in a standardized format per Green-e requirements. The price, terms, and conditions statement is not required to be in a standardized format, but must contain some minimum information per Green-e requirements.

Registered suppliers must maintain price¹⁰ and minimum content for a minimum of nine (9) months after registration; and must notify existing customers and update their registration to reflect any subsequent change in product pricing or content at least 30 days prior to implementing such changes. Failure to so notify the Program Administrator in writing of any such changes may be considered an event of default.

4.2 Minimum Offer Period

The objective of this program is to establish a long-term viable market for renewable power in Rhode Island. To that end, for suppliers to qualify for this incentive program, they must commit to serving a customer with the same or comparable product offering for which they receive an incentive for a minimum period of two years from enrollment. This condition does not require that suppliers place minimum terms upon customers, but rather that suppliers commit to serving customers acquired due to support under this program for at least two years before withdrawing from the market, or be subject to damages under Section 4.3. Neither program Administrator termination of the program, nor termination of the GreenUp Program, nor withdrawal or expulsion of a supplier from the GreenUp Program, shall relieve participating suppliers of any of their responsibilities under this program until two years after the date that their last customer for whom an incentive payment has been received began participation in their program. In the event that, through no breach on the part of participating supplier the suppliers' customers do not participate for two years, the supplier shall maintain its obligations so long as it has participating customers.

4.3 Default on Program Conditions

Failure to adhere to program guidelines may be considered an event of default. In addition, a Participating Supplier will be deemed in default of program terms and conditions if any customer is dropped by the Participating Supplier within two years of signing up such customer for any reason other than due to that customer's nonpayment or other violation of its contractual obligations to the Participating Supplier, provided that such customer returns to Last Resort Service. *A Participating Supplier may not avoid being considered in default by dramatically increasing prices in order to cause customers to leave the Participating Supplier.* If the customer switches to another unregulated supplier, there would be no default

4.3.1 Damages

Damages resulting from default on conditions for receipt of program incentives fall into two categories: 1) disbursements of incentives to a supplier who then defaults and 2) increased costs to participating and non-participating customers resulting from the supplier's default. After a customer has remained enrolled for two years in an eligible product, or has terminated generation service from the Participating Supplier in any manner that does not constitute participating supplier default, no damages shall accrue with respect to that customer

¹⁰ Price may be reduced within this period, but may not be increased.

4.3.2 Damages relating to distribution of program incentives

For each customer for which the Participating Supplier has applied to the Program Administrator for a demand incentive under this program, damages resulting from a default as defined in Section 4.3 will be calculated as the incentive (e.g. \$125 or \$75, or lesser amount if capped, per customer) paid by the Program Administrator to the Participating Supplier times the remaining fraction of the two-year period following signing up each customer

4.3.3 Damages relating to increased costs incurred by participating or non-participating customers

In the event a customer leaves Standard Offer service to purchase a conventional retail supply offer from a Participating Supplier, and later that Participating Supplier defaults on program conditions, that customer may be forced to take Last Resort service should no attractive competitive alternatives be available. For residential customers, Last Resort service is currently priced the same as Standard Offer service, but to the extent that the cost of procuring wholesale electric supply to provide Last Resort service continues to exceed the wholesale costs of Standard Offer service, a revenue shortfall results which may be recovered from both participating and non-participating customers resulting in a cross-subsidy^{11,12}. For each residential customer who has left Standard Offer service for a conventional retail supply product offered by Participating Supplier and for whom that supplier has applied to the Program Administrator for a demand incentive under this program, damages resulting from a default as defined in Section 4.3 will be the product of:

- \$130 per residential customer, times
- the remaining fraction of the two-year period following signing up each customer .

These figures represent the approximate difference between the price per kWh of Standard Offer Service to the customer and the delivered cost per kWh for Last Resort Service to the Company, applied to each kWh sold to such customer for the remainder of the two-year period following signing up each customer¹³.

4.4 Credit Support

Each Participating Supplier shall provide credit support, in the form of a guarantee, letter of credit or other form of security, against Damages resulting from its default on conditions for receipt of program incentives, as described below. This requirement shall be waived until a Participating Supplier has first reached a threshold of 500 customers currently being served. Once a Participating Supplier has first reached the threshold of 500 customers, then the credit

¹¹ If damages are collected, they would be applied towards offsetting any cross-subsidy which may result from the customers' return to Last Resort Service.

¹² For small commercial customers Last Resort service is currently priced based on the cost to procure wholesale Last Resort supply, so that no cross-subsidy issue exists. Risks of default for such customers are no different than commercial risks taken under any other competitive supply transaction.

¹³ Based on the following assumptions: residential consumption of approximately 6000 kWh/yr. a historic difference of about 1.2¢ between the cost of Standard Offer and Last Resort Service, and a three month lag in any payments of the incentive.

support shall apply to the first 500 customers as well as continue to apply for the duration of the Participating Supplier's participation in the program.

If a Participating Supplier does not have a corporate rating from a nationally recognized statistical ratings organization of at least Investment Grade at the time of its application for program fund distribution, then, until such time as the Participating Supplier achieves and maintains an Investment Grade corporate rating, the Participating Supplier shall have the following options:

- Provide the Fund an unconditional guarantee from an entity that has a corporate rating from at least one nationally recognized statistical ratings organization that is at least Investment Grade, which shall provide that any rights of subrogation shall not be exercised before the payment under the guarantee is made;
- Post a letter of credit to the Fund which provides that it may be drawn upon by the Fund in the event of Default, with face value meeting or exceeding an amount reflecting potential damages under Section 4.3.2 for TRC-only offers, and Sections 4.3.2 and 4.3.3. for conventional retail supply offers, recalculated each time the Participating Supplier files with the Program Administrator for payment of demand incentives;¹⁴
- A Participating Supplier may elect to defer receipt of program incentives, keeping such disbursements dedicated to that supplier on account with the Program Administrator as security, thus reducing the amount of any required letter of credit.

Provision of a letter of credit or other form of security shall not be construed as a limit to actual Damages.

In recognition of other safeguards (such as certificate deposit, release of collected funds, and program eligibility requirements) built into the GreenUp Program, credit support requirements may be waived by the Fund for GreenUp Participants so long as such safeguards remain satisfactory to the Fund and in place, at the Fund's sole discretion. GreenUp suppliers should be prepared to offer credit support in the event that Narragansett Electric requirements are deemed inadequate.

4.5 Disclosures

Participating suppliers shall also make the following disclosures to customers prior to sign-up, and provide accurate information on Standard Offer and Last Resort Rates to customers when requested. Suppliers must be capable of verifying that customers have affirmatively acknowledged these disclosures.

¹⁴ For example, if in June 2002, assuming the credit support threshold has been exceeded, 200 residential customers were signed up, and the Participating Supplier received \$125 per customer incentive, the amount of the LOC in October 2002 would be calculated for customers signed up in June 2002 as: $(\$125) * (18/24 \text{ months}) * 200 \text{ customers} = \$18,750$. By June 2003, the amount for this batch of customers would be reduced to \$12,500. \$25,000 would have been given out in incentives for these customers.

4.5.1 Notice to Non-Residential Customers Served under Conventional Retail Supply Offers:

Once you select this or any other electricity service provider, you will be ineligible for Narragansett Electric's (or Pascoag Utility District's) "standard offer" rate for electricity. Instead, you must either continue to buy electricity from competitive suppliers, or you can buy electricity from Narragansett Electric (or Pascoag Utility District) but at its "last resort" rate, which is often higher than the "standard offer" rate.

By signing here/checking this box on internet/or saying yes on the phone, you acknowledge that you understand and accept these conditions.

4.5.2 Notice to Residential Customers Served under Conventional Retail Supply Offers:

Once you select this or any other electricity service provider, you will be ineligible for Narragansett Electric's (or Pascoag Utility District's) "standard offer" rate for electricity. Instead, you must continue to buy electricity either from competitive suppliers, or you can buy electricity from Narragansett Electric (or Pascoag Utility District) at its "last resort" rate. Standard Offer and Last Resort Service rates are currently required to be the same price for residential customers. However, this could change in the future and "last resort" rates may then become higher than the "standard offer" rates for residential customers.

By signing here/checking this box on internet/or saying yes on the phone, you acknowledge that you understand and accept these conditions.

5 Program Administration

5.1 Registering for the Program

Registration forms for the residential and small business incentive program should be directed in writing to:

Janice McClanaghan
Chief of Energy and Community Services
State Energy Office
Division of Central Services
1 Capital Hill
Providence, RI 02908-5853
(401)222-3370

Or by e-mail to:

JaniceM@gw.doa.state.ri.us

Suppliers registering for this incentive program must either already be registered with the Rhode Island PUC as a retail electricity supplier, or in the process of registering. All Participating Suppliers must be registered and in good standing at all times.

Suppliers must provide information on management and key personnel, and describe past relevant experience marketing renewable energy to retail customers, as described in the registration form.

Suppliers will be required to register each eligible retail electricity product offered, defined as a unique combination of resource content and price.

Suppliers will be required to attest that, prior to enrolling a customer, they will clearly disclose the fact that choosing a competitive supplier will mean that the customer cannot return to the standard offer supply from the distribution company (if applicable). In its registration, the supplier will also (a) commit to meet Green-e disclosure requirements whether offering a certified or uncertified product and (b) attest that all generation attributes, as described in Section 3, remain bundled with the green power and are not disaggregated and sold separately into other markets.

5.2 What to Expect After You Register

Once you have submitted your registration to participate in the residential and small business incentive program, you will receive a letter or e-mail confirming the receipt of your application. If there are any deficiencies or questions about your registration they will be resolved at that time. The Program Administrator reserves the right to disapprove your application. Once your registration has been completed satisfactorily and found in compliance with program guidelines (typically at a monthly meeting of the Fund's Advisory Board), you will be so notified, and will become eligible to receive incentive payments based on the incremental enrollment in all of your eligible green power products. These payments will be made in response to the enrollment data you supply the Program Administrator in your monthly reports, as described in Section 5.3.

5.3 Applying for Incentive Payments

In order to qualify for payments under this program, registered retail suppliers will need to submit quarterly reports attesting to the number of customers served with qualifying "green" power products as of the last day of each calendar quarter trading period. Reports should be submitted within 20 business days after the end of the calendar quarter. Late reports may result in delayed processing and payment.

Monthly reports will be required to have the following supporting documentation:

- Identification of the registered product;
- Verification of total number of customers sufficient to make the incentive calculation;
- Verification of Green-e certification (if applicable);

- Demonstration of sufficient credit support;
- Confirmation that product renewable content has not fallen below threshold requirements and product minimum claims; and
- Confirmation of delivery of new renewables.

To the extent that the data necessary to support these last requirements may require quarterly GIS reports that will not be available until later, registered suppliers may submit this information as it becomes available. The Program Administrator reserves the right to withhold payment until satisfied that all conditions have been met. Retail suppliers participating in this program will be required to have an officer of the company sign an attestation to the veracity of the report and compliance with all program terms and conditions. They must also be willing to open their customer enrollment and power purchase records under confidential conditions to verify the basis for their incentive awards, if so requested by the Program Administrator.

If a registered supplier's status with the PUC or Green-e changes or if the specifications of a green power product are changed during the course of the year, the retailer is required to inform the Program Administrator within 10 business days. The Program Administrator will evaluate each case individually to determine if any adjustments or corrective action is required. Failure to provide such notification may result in suspension or termination of incentive payments under this program.

The Program Administrator may request additional information at anytime to support its verification of retailer claims including those on its registration and its monthly reports or those in its disclosure labels.

The Program Administrator reserves the right to withhold disputed incentive payments until disputes have been resolved.

5.4 Payment

Payment will be made based on the number of incremental customers, as described in Section 3.1, on a lagged basis to allow for verification. The Program Administrator reserves the right to withhold payment until satisfied that all conditions have been met. If GIS quarterly reports verifying renewable energy attributes associated with customers for whom an incentive has been sought are not yet available for a given month, payment may be withheld by the Program Administrator at its discretion until such supporting documentation has been received.

The Program Administrator has the right to refuse to distribute funds in the event that the retail supplier is acting contrary to the interests and objectives of the program.

5.5 Verification of Eligible Renewable Resource Content

Retail suppliers participating in this incentive program will be required to provide the Program Administrator with documentation confirming that they (a) are in fact purchasing electricity or certificates as required from qualifying renewable projects on behalf of Rhode Island customers,

and (b) are delivering upon claims and representations made to customers in disclosure statements .

As noted earlier, NEPOOL’s GIS forms the basis of associating generation attributes with load within New England, and will be the primary means for documenting that generation attributes are associated with Rhode Island customers, and all evidence must be consistent with the GIS and its Operating Rules. This system will enable retail electricity suppliers or others to simply and clearly allocate characteristics of specific generators to specific retail customers in a verifiable manner.

GIS certificates representing title to renewable attributes from the eligible generator must be allocated to the (sub) account of the retail electricity supplier or GreenUp Program supplier for the applicable customer or customer class or product offering associated with load served in Rhode Island. GIS quarterly and annual reports must be provided as evidence for disbursement. For TRC products, the GIS certificates associated with the applicable generation must be accounted for as Reserved Certificates consistent with GIS Operating Rules, and uniquely documented as such using GIS reports. Evidence of Reserved Certificates treatment will assure the Program Administrator that the attributes are not sold to any other retail customers, but cannot alone assure sale of TRCs to Rhode Island customers. Therefore, applicants may be required to open their power purchase and sales records to third party inspection under confidential conditions to verify unique TRC purchase or sale. For more information on the GIS, see www.nepoolgis.com.

At this time, verification is expected to proceed as follows:

- **Certificate-Only Green-e Offers.** The Program Administrator will rely on a combination of NEPOOL GIS Reserved Certificates records and the verification requirements of the Green-e.
- **Uncertified Certificate-Only Offers.** The Program Administrator expects a report, on a quarterly basis, documenting the average renewable energy content for the previous 12 month period and compared to corresponding program requirements and claims/disclosure labels, supported by records indicating all attributes used to meet minimum requirements are recognized and accounted for under the New England GIS.

Verification protocols may be updated from time to time with notice and a comment period to registered suppliers. If the current protocol changes, such changes will be posted on the Program Administrator’s web site.

5.5.1 True-ups

Green-e certified products are required to true-up any shortfalls in minimum renewable content according to the terms of Green-e certification. Any marketers of uncertified offerings who, at the end of each calendar year, have not maintained the renewables content for which their product is registered, will be given an opportunity to “true up” their portfolio with extra renewables purchases during the first quarter of each calendar year. All incentive payments will

be suspended while any supplier is in arrears, and will be released to the extent the supplier successfully trued-up such shortfalls.

5.6 *Contact for Clarification & Guidance*

5.7 Questions should be directed in writing by e-mail to:

JaniceM@gw.doa.state.ri.us

5.8 *Treatment of Applications*

Applications will be confidentially reviewed by members of the Fund, the Program Administrator and their respective advisors. The costs incurred for preparation of the applications will not be reimbursed.